

December 2010

Total Net Market Value of Assets

\$38,699,642 or \$1.467 per share

Investment Performance

(These figures are unaudited)

	Quarter	One Year
Portfolio return over the period *	1.7%	-2.2%
Change in All Ords. over Period	4.5%	-0.7%
Total return over the period (NAV & div)	1.0%	-1.3%
Change in Bank Bill Index over the Period	1.2%	4.7%

* This return is before all fees, costs, taxes and dividends while the NAV return is after fees, costs and taxes paid. Past performance is no guide for future performance.

Asset Allocation

Financials	30.1%
Consumer Discretionary	18.2%
Materials	14.7%
Information Technology	8.7%
Energy	7.8%
Industrials	7.7%
Consumer Staples	6.6%
Health Care	5.7%
Cash and Equivalent	0.5%

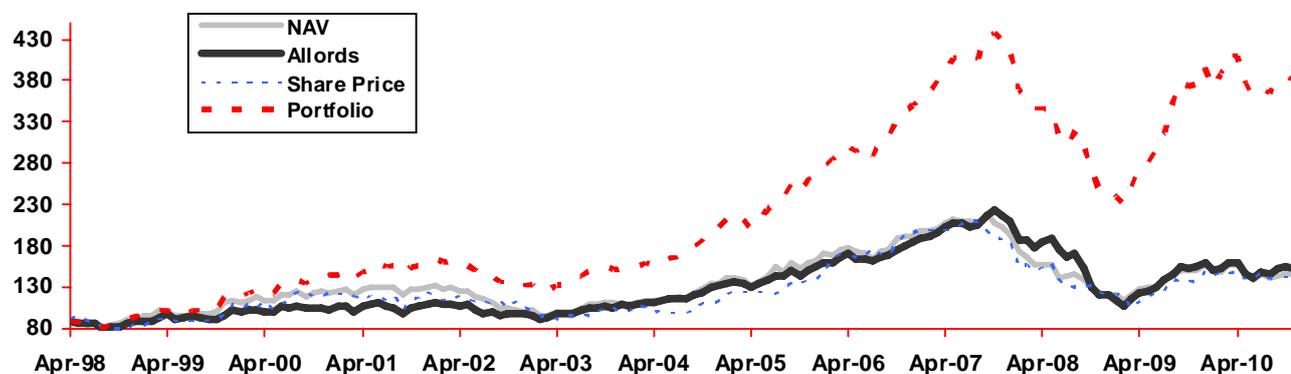
Five Major Investments

(As a % of the portfolio)

	Dec 10	Sep 10
BHP Billiton	7.9%	6.9%
Rio Tinto Limited	6.8%	5.5%
Woolworths	6.6%	6.8%
Commonwealth Bank	6.3%	6.0%
Platinum Asset Management	5.9%	5.6%
Total	33.5%	30.8%

Relative Performance

(After adjusting for the rights issues)



Investment Philosophy

Our investment process focuses on investing in companies with talented management that are able to consistently grow their business earnings because they have a sustainable competitive advantage, a sound balance sheet and a proven ability to generate operational cash-flow.

Performance

The portfolio performance for the quarter to December 2010 of 1.7% is lower than the market return of 4.5% primarily due to a lower exposure to mining related companies. The decline in the portfolio over the past twelve months of 2.2% compares with a decline in the market of 0.7%. Our under-weight position in mining related companies arises from our focus on quality companies that meet our investment philosophy. Resource companies do not meet our definition, primarily due to their lack of competitive advantage (other than through size as is the case with RIO Tinto and BHP Billiton), the high risk nature of the mining business and the volatility of revenues. As a result, any continued out-performance by the resources sector could result in short-term under-performance of our portfolio as compared to the market. However, our quality focus has always stood us in good stead over the longer-term.

Investment Activity

The portfolio's exposure to Rio Tinto, BHP Billiton and WorleyParsons was increased during the quarter under review, whilst exposure to Seek, JB Hi-Fi and The Reject Shop was reduced. Billabong was removed from the portfolio and no new companies were added.

Market facts

While the MSCI increased over the quarter by 8.3% in US\$, in A\$ it only increased by 2.4% as a result of a 5.8% increase in the value of the A\$.

The All Ordinaries Index is up 78.7% since April 1998. The NAV (after tax) per share has increased since April 1998 by 64.3%, while the total return including dividends paid to shareholders is 140%. The portfolio total return since April 1998 was 352%.

The portfolio has a dividend yield of approximately 4% substantially fully franked.

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